UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2018

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________________ to ________________

Commission File Number: 001-38089

ASV HOLDINGS, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**82-1501649**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
840 Lily Lane	
Grand Rapids, MN	**55744**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (218) 327-3434

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. ☐

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 29, 2018, the registrant had 9,835,512 shares of common stock, $0.001 par value per share, outstanding.

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EXPLANATORY NOTE: REFERENCES TO ASV

In this Quarterly Report on Form 10-Q, unless otherwise stated or the context otherwise requires:

- References to the "Company," "ASV," "we," "us" and "our" following the date of Corporate Conversion (May 11, 2017) refer to ASV Holdings, Inc. and its consolidated subsidiaries;

- References to the "Company," "ASV," "we," "us" and "our" prior to the date of Corporate Conversion refer to A.S.V., LLC and its consolidated subsidiaries; and

- References to the "Corporate Conversion" or "corporate conversion" refer to all of the transactions related to the conversion of A.S.V., LLC, a Minnesota limited liability company, into ASV Holdings, Inc., a Delaware corporation, including the conversion of all of the outstanding membership units of A.S.V., LLC into shares of common stock of ASV Holdings, Inc., effected on May 11, 2017.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

ASV Holdings, Inc.
Condensed Balance Sheets
(In thousands, except par value)

	September 30, 2018	December 31, 2017
	Unaudited	
ASSETS		
CURRENT ASSETS		
Cash	$ 5	$ 3
Trade receivables, net	17,625	18,276
Receivables from affiliates	25	76
Inventory, net	33,441	26,691
Prepaid income tax	818	896
Prepaid expenses and other	585	591
Total current assets	52,499	46,533
NON-CURRENT ASSETS		
Property, plant and equipment, net	13,039	13,797
Intangible assets, net	21,367	23,277
Goodwill	30,579	30,579
Other long-term assets	255	311
Deferred tax asset	771	624
Total assets	$ 118,510	$ 115,121
LIABILITIES AND STOCKHOLDERS' EQUITY		
Notes payable - current portion	$ 2,012	$ 2,000
Trade accounts payable	16,922	15,174
Payables to affiliates	737	1,063
Accrued compensation and benefits	1,096	1,483
Accrued warranties	1,600	1,869
Accrued product liability- short term	82	778
Accrued other	1,280	1,039
Total current liabilities	23,729	23,406
NON-CURRENT LIABILITIES		
Revolving loan facility	15,740	12,511
Notes payable - long term, net	11,625	12,664
Other long-term liabilities	720	739
Total liabilities	51,814	49,320
STOCKHOLDERS' EQUITY		
Preferred stock, $0.001 par value, 5,000 authorized, none outstanding at September 30, 2018 and December 31, 2017, respectively	—	—
Common stock, $0.001 par value, 50,000 authorized, 9,834 and 9,806 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	10	10
Additional paid-in capital	65,719	65,434
Retained earnings	967	357
Total Stockholders' Equity	66,696	65,801
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 118,510	$ 115,121

The accompanying notes are an integral part of these condensed financial statements.

ASV Holdings, Inc.
Condensed Statements of Operations
(In thousands, except par value and per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
	Unaudited	Unaudited	Unaudited	Unaudited
Net sales	$ 32,776	$ 30,635	$ 94,506	$ 92,885
Cost of goods sold	28,576	25,798	82,107	78,389
Gross profit	4,200	4,837	12,399	14,496
Research and development costs	485	503	1,407	1,561
Selling, general and administrative expense	2,662	2,857	9,004	8,340
Operating income	1,053	1,477	1,988	4,595
Other income (expense)				
Interest expense	(491)	(698)	(1,413)	(2,463)
Other income (expense)	2	—	8	1
Total other expense	(489)	(698)	(1,405)	(2,462)
Income before taxes	564	779	583	2,133
Income tax expense (benefit)	(35)	257	(28)	(372)
Net income	$ 599	$ 522	$ 611	$ 2,505
Earnings per share:				
Basic net income per share	0.06	$ 0.05	$ 0.06	$ 0.28
Diluted net income per share	0.06	$ 0.05	$ 0.06	$ 0.28
Weighted average common shares outstanding:				
Basic weighted average common shares outstanding	9,834	9,800	9,824	8,897
Diluted weighted average common shares outstanding	9,834	9,800	9,824	8,897
Pro forma (C corporation basis):				
Pro forma tax expense	N/A	N/A	N/A	$ 768
Pro forma net income	N/A	N/A	N/A	$ 1,365
Pro forma earnings per share:				
Basic net income per share	N/A	N/A	N/A	$ 0.15
Diluted net income per share	N/A	N/A	N/A	$ 0.15

The accompanying notes are an integral part of these condensed financial statements.

ASV Holdings, Inc.
Condensed Statements of Cash Flows
(In thousands)

	For the Nine Months Ended September 30,	
	2018	2017
	Unaudited	Unaudited
OPERATING ACTIVITIES		
Net income	$ 611	$ 2,505
Adjustments to reconcile to net income to net cash provided by operating activities:		
Depreciation	1,717	1,716
Amortization	1,910	1,910
Share-based compensation	374	231
Deferred income tax (benefit)	(147)	(947)
Loss on sale of fixed assets	6	46
Amortization of deferred finance cost	107	163
Loss on debt extinguishment	—	83
Bad debt expense	29	17
Changes in operating assets and liabilities		
Trade receivables	622	(3,509)
Net trade receivables/payables from affiliates	(275)	194
Inventory	(6,887)	5,635
Prepaid income tax	—	—
Prepaid expenses	78	(144)
Trade accounts payable	1,749	2,233
Accrued expenses	(1,111)	(1,444)
Tax payable	—	31
Other long-term liabilities	(35)	39
Net cash (used in) provided by operating activities	(1,252)	8,759
INVESTING ACTIVITIES		
Decrease in restricted cash	—	535
Purchase of property and equipment	(828)	(474)
Net cash (used in) provided by investing activities	(828)	61
FINANCING ACTIVITIES		
Principal payments on long-term debt	(1,497)	(1,826)
Proceeds from long-term note	425	—
Debt issuance costs incurred	—	(9)
Proceeds from issuance of common stock, net of offering costs	—	10,405
Net payments on debt	—	(10,405)
Shares repurchased for income tax withholding on share-based compensation	(76)	—
Net borrowings (payments) on revolving credit facilities	3,230	(7,549)
Net cash provided by (used in) financing activities	2,082	(9,384)
NET CHANGE IN CASH	2	(564)
Cash at beginning of period	3	572
Cash at end of period	$ 5	$ 8

The accompanying notes are an integral part of these condensed financial statements.

Note 1. Basis of Presentation

Nature of Operations

ASV Holdings, Inc. (the “Company” or “ASV”) primarily designs, manufactures and markets compact track loaders and skid steer loaders as well as related parts for use primarily in the construction, landscaping, and agricultural industries. The Company’s headquarters and manufacturing facility is located in Grand Rapids, Minnesota. Products are marketed and sold in North America, Australia, New Zealand and Latin America.

Corporate Conversion and Initial Public Offering

On May 11, 2017, pursuant to a Plan of Conversion adopted by the Members and Board of Managers of A.S.V., LLC as of April 25, 2017, the Company converted from a Minnesota limited liability company into a Delaware corporation and changed its name from A.S.V., LLC to ASV Holdings, Inc. In conjunction with this corporate conversion, the Company filed a certificate of incorporation (the “Certificate of Incorporation”) with the Secretary of State of the State of Delaware and the bylaws of the Company (the “Bylaws”) became effective. Both the Certificate of Incorporation and the Bylaws were approved by the Board of Managers and Members of A.S.V., LLC prior to corporate conversion. Pursuant to the Company’s Certificate of Incorporation, the Company is authorized to issue up to 50,000 shares of common stock $0.001 par value per share and 5,000 shares of preferred stock $0.001 par value per share. All references in the unaudited interim condensed financial statements to the number of shares and per-share amounts of common stock have been retroactively restated to reflect the corporate conversion.

On May 17, 2017, the Company completed its underwritten initial public offering (“IPO”) of 3,800 shares of the Company’s common stock, including 1,800 shares sold by the Company and 2,000 shares sold by Manitex International, Inc. (“Manitex”), at a price to the public of $7.00 per share. After underwriting discounts and commissions and offering expenses payable by the Company, the Company received net proceeds of $10,405 from the offering. The Company did not receive any proceeds from the sale of shares by Manitex.

On May 23, 2017, the underwriters exercised their over-allotment option in full by purchasing an additional 570 shares of the Company’s common stock from A.S.V. Holding, LLC, a selling stockholder in the IPO and subsidiary of Terex Corporation (“Terex”), at the IPO price of $7.00 per share, less underwriting discounts and commissions. The Company did not receive any proceeds from the sale of the shares by A.S.V. Holding, LLC.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The unaudited financial statements, included herein, have been prepared by the Company pursuant to the rules and regulations of the United States Securities and Exchange Commission (the “SEC”). Pursuant to these rules and regulations, the financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial statements and have been consistently applied. These unaudited financial statements should be read in conjunction with the Company’s audited financial statements and related notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

The unaudited financial statements include all adjustments of a normal, recurring nature considered necessary for a fair presentation of our financial position as of September 30, 2018 and the results of operations for the three and nine months ended September 30, 2018 and 2017. Results of operations for the three and nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the year ended December 31, 2018.

Critical Accounting Policies and Estimates

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which require the Company to make estimates, judgments and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and related disclosures and contingencies. The Company evaluates estimates used in preparation of the accompanying financial statements on a continual basis. We describe our significant accounting policies in Note 2, “Summary of

Significant Accounting Policies," of the audited financial statements for the year ended December 31, 2017 included in the Annual Report on Form 10-K.

Recent Accounting Pronouncements

Recent accounting pronouncements are described in Note 6, "Recent Accounting Pronouncements."

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in its existing accounts receivable. The Company determines the allowance based on individual customer review and current economic conditions. The Company reviews its allowance for doubtful accounts at least quarterly. Individual balances exceeding a threshold amount that are over 90 days past due are reviewed individually for collectability. All other balances are reviewed on a pooled basis by type of receivable. Account balances are charged off against the allowance when the Company determines it is probable the receivable will not be recovered.

The balance of the allowance for doubtful accounts was $111 and $82 at September 30, 2018 and December 31, 2017, respectively.

Revenue Recognition

The Company's revenues result from the sale of goods or services and reflect the consideration to which the Company expects to be entitled. The Company records revenue based on a five-step model in accordance with Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers ("ASC 606"). For its customer contracts, the Company identifies the performance obligations (goods or services), determines the transaction price, allocates the contract transaction price to the performance obligations, and recognizes the revenue when (or as) the performance obligation is satisfied. A good or service is transferred when the customer obtains control of that good or service. The Company principally generates revenue from the sale of equipment and parts to dealers, distributors and OEM customers and recognizes revenue at a point in time when control transfers. Transfer of control is generally determined based on the shipping terms of the contract. The Company recognizes revenue for delivered goods or services when the delivered good or service is distinct, control of the good or service has transferred to the customer, and only customary refund or return rights related to the goods or services exist. Generally, there is no-post shipment obligation on product sold other than standard warranty obligations in the normal and ordinary course of business.

Provisions for sales program incentives (such as wholesale subsidies, retail subsidies and customer cash), product returns, and discounts and allowances are variable consideration and are accounted for as a reduction of revenue and establishment of a liability (or contra asset receivable as appropriate) using the expected value method. The Company considers historical data in determining its best estimates of variable consideration. These estimates are reviewed regularly for appropriateness, considering also whether the estimates should be constrained in order to avoid a significant reversal of revenue recognition in a future period. If updated information or actual amounts are different from previous estimates of variable consideration, the revisions are included in the results for the period in which they become known through a cumulative effect adjustment to revenue. In addition, the Company's contracts with customers generally do not include significant financing components or noncash consideration. The Company expenses incremental costs of obtaining a contract (primarily sales commissions) as selling, general and administrative expense in the Condensed Statements of Operations, because the amortization period would be less than one year.

The Company disaggregates revenue from contracts with customers by geographic location and major customer (see Concentrations of Business and Credit Risk) as we believe this best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

Accrued Warranties

The Company records accruals for potential warranty claims based on its claim experience. The Company's products are typically sold with a standard warranty covering defects that arise during a fixed period.

A liability for estimated warranty claims is accrued at the time of sale. The liability is established using historical warranty claim experience for each product sold. Historical claim experience may be adjusted for known design improvements or for the impact of unusual product quality issues. Warranty reserves are reviewed quarterly to ensure critical assumptions are updated for known events that may affect the potential warranty liability.

Litigation Claims

In determining whether liabilities should be recorded for pending litigation claims, the Company must assess the allegations and the likelihood that it will successfully defend itself. When the Company believes it is probable that it will not prevail in a particular matter, it will then record an estimate of the amount of liability based, in part, on advice of outside legal counsel.

Defined Benefit Plan

The Company sponsors a nonqualified Supplemental Executive Retirement Plan ("SERP") for a former senior executive. The SERP is unfunded. The Company accounts for this plan pursuant to the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 710, "Compensation – General." This guidance requires balance sheet recognition of the overfunded or underfunded status of the defined benefit plan. Actuarial gains and losses, prior service costs or credits, and any remaining transition assets or obligations that have not been recognized under previous accounting guidance must be recognized in the Statement of Operations. The defined benefit obligation for this plan as of September 30, 2018 is $760, of which, $64 and $696 is reflected in "Accrued Other" and "Other Long-Term Liabilities," respectively, on the balance sheet. The balance at December 31, 2017 was $803, of which, $64 and $739 was reflected in the "Accrued Other" and "Other Long-Term Liabilities," respectively. The Company expects to make annual benefit payments of $64 per year over the next five years.

Research and Development Costs

Research and development costs are expensed as incurred. Such costs are incurred in the development of new products or significant improvements to existing products.

Income Taxes

The Company's provision for income taxes consists of federal and state taxes, as applicable, in amounts necessary to align the Company's year-to-date tax provision with the effective rate that it expects to achieve for the full year. Each quarter the Company updates its estimate of the annual effective tax rate and records cumulative adjustments as necessary.

For the three months ended September 30, 2018, the Company recorded an income tax benefit of $(35), which consists of federal and state taxes of $108 on pre-tax income of $564 offset by a discrete income tax benefit of $(143) related to the finalization of the Company's 2017 tax returns. The Company's effective tax rate is affected by recurring items such as state and local taxes, a reduced federal tax rate for foreign derived intangible income, and federal research and development credits.

For the three months ended September 30, 2017, the Company recorded an income tax expense of $257 on pre-tax income of $779.

For the nine months ended September 30, 2018, the Company recorded an income tax benefit of $(28), which consists of federal and state income tax on it pre-tax income of $583 offset by a discrete income tax benefit of $(147) related primarily to the finalization of the Company's 2017 tax returns.

For the nine months ended September 30, 2017, the Company recorded an income tax benefit of $(372), which consists of a federal and state income tax provision of $575 offset by a discrete income tax benefit of $(947) related primarily to the recognition of a deferred tax asset related to a change in status with the conversion from a Minnesota limited liability company to a Delaware corporation on May 11, 2017.

At September 30, 2018, the Company did not have any uncertain tax positions. The Company records interest and penalties related to uncertain tax positions in the provision for income taxes in the accompanying Statement of Income.

Concentrations of Business and Credit Risk

Caterpillar Inc., an OEM customer, and CEG Distributions PTY Ltd., the Company's Australian master distributor, accounted for 34% and 37% of the Company's Net Sales for the three months ended September 30, 2018 and 2017 respectively, as well as 64% of the Company's Accounts Receivable at September 30, 2018. Caterpillar Inc. and CEG Distributions PTY Ltd accounted for 29% and 32% of the Company's Net Sales for the nine months ended September 30, 2018 and 2017 respectively, as well as 63% of the Company's Accounts Receivable at December 31, 2017.

Sales by major customer consisted of the following for the three and nine months ended September 30, 2018 and 2017:

	For the Three Months Ended September 30, 2018		For the Three Months Ended September 30, 2017	
	Percent of Total	Amount	Percent of Total	Amount
Caterpillar	16%	$ 5,145	19%	$ 5,884
CEG Distributions PTY Ltd.	18%	5,890	18%	5,515
Other	66%	21,741	63%	19,236
Total	100%	$ 32,776	100%	$ 30,635

	For the Nine Months Ended September 30, 2018		For the Nine Months Ended September 30, 2017	
	Percent of Total	Amount	Percent of Total	Amount
Caterpillar	15%	$ 13,952	19%	$ 17,420
CEG Distributions PTY Ltd.	14%	12,876	13%	12,225
Other	71%	67,678	68%	63,240
Total	100%	$ 94,506	100%	$ 92,885

Any disruptions to these two customer relationships could have adverse effects on the Company's financial results. The Company manages dealer and OEM concentration risk by evaluating in advance the financial condition and creditworthiness of its dealers and OEM customers. The Company establishes an allowance for doubtful accounts receivable, if needed, based upon expected collectability. Any reserves established for doubtful accounts is determined on a case-by-case basis when it is believed the payment of specific amounts owed to us is unlikely to occur. Although the Company has encountered isolated credit concerns related to its dealer base, management is not aware of any significant credit risks related to the Company's dealer base and generally does not require collateral or other security to support account receivables, other than UCC related sales. The Company has secured a credit insurance policy for certain accounts with a policy limit of liability of not more than $8,600.

Revenue by geographic area consisted of the following for the three and nine months ended September 30, 2018 and 2017:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2018		2017		2018		2017	
	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount
United States	71%	$ 23,058	66%	$ 20,112	72%	$ 68,449	70%	$ 65,171
Australia	20%	6,612	26%	7,875	16%	15,035	20%	18,452
Other	9%	3,106	9%	2,648	12%	11,022	10%	9,262
Total	100%	$ 32,776	100%	$ 30,635	100%	$ 94,506	100%	$ 92,885

Note 3. Inventory

Inventory is stated at the lower of cost (first-in, first-out) or net realizable value. The Company records excess and obsolete inventory reserves. The estimated reserve is based on specific identification of excess or obsolete inventories.

Inventory consisted of the following as of September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
Raw materials and supplies	$ 18,128	$ 16,749
Work in process	81	98
Finished equipment and replacement parts	15,232	9,844
	$ 33,441	$ 26,691

Note 4. Goodwill and Other Intangible Assets

Intangible Assets

Intangible assets include patented and unpatented technology, trade names, customer relationships and other specifically identifiable assets and are amortized on a straight-line basis over their respective estimated useful lives, which range from ten to twenty-five years. Intangible assets are reviewed for impairment when facts and circumstances indicate a potential impairment has occurred.

There are three fundamental methods applied to value intangible assets outlined in FASB ASC 820, "Fair Value Measurement." These methods include the Cost Approach, the Market Approach, and the Income Approach. Each of these valuation approaches were considered in the Company's estimation of value.

Trade names and trademarks, patented and unpatented technology: Valued using the Relief from Royalty method, a form of both the Market Approach and the Income Approach. Because the Company has established trade names and trademarks and has developed patented and unpatented technology, the Company estimated that the benefit of ownership as the relief from the royalty expense that would need to be incurred in absence of ownership.

Customer relationships: Because there is a specific earnings stream that can be associated with customer relationships, the Company determined the fair value of these relationships based on the excess earnings method, a form of the Income Approach.

Technology: The Company holds a number of U.S. patents covering its undercarriage technology. The key patent related to the Company's Posi-Track undercarriage and suspension expires in 2023. The average estimated useful life for the Company's patents is ten years, but useful life is determined in part by any legal, regulatory or contractual provisions that limit useful life. The Company has and will continue to dedicate technical resources toward the further development of our products and processes in order to maintain its competitive position.

Intangible assets, net comprised the following as of September 30, 2018:

	Weighted Average Life (In Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents and unpatented technology	10	$ 8,000	$ (3,027)	$ 4,973
Tradename and trademarks	25	7,000	(1,058)	5,942
Customer relationships	11	16,000	(5,548)	10,452
	12	$ 31,000	$ (9,633)	$ 21,367

Intangible assets, net comprised the following as of December 31, 2017:

	Weighted Average Life (In Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents and unpatented technology	10	$ 8,000	$ (2,427)	$ 5,573
Tradename and trademarks	25	7,000	(848)	6,152
Customer relationships	11	16,000	(4,448)	11,552
	12	$ 31,000	$ (7,723)	$ 23,277

Amortization of other intangible assets for the nine months ended September 30, 2018 and 2017 was $1,910 and $1,910, respectively.

Goodwill

Goodwill, representing the difference between the total purchase price and the fair value of assets (tangible and intangible) and liabilities at the date of acquisition, is reviewed for impairment annually, and more frequently as circumstances warrant, and written down only in the period in which the recorded value of such assets exceed their fair value. Annual impairment tests are performed by the Company in the fourth quarter of each year using information available as of fiscal September month end.

Note 5. Related Party Transactions

Effective December 19, 2014, the Company entered into a Distribution and Cross Marketing Agreement with Terex and Manitex (the "Terex Cross Marketing Agreement") that set forth the terms under which the Company would manufacture and sell ASV products, certain services Terex would provide in assisting in the sales and marketing of ASV products and the costs to be paid by the Company in exchange for such services. The Terex Cross Marketing Agreement defines dealers and customers to which, and territories for which, Terex would have the exclusive right on behalf of the Company to market and sell Terex-branded ASV products. The Terex Cross Marketing Agreement defines the compensation to Terex for its machine sales selling expense, part sales selling expense and general and administrative costs associated with such sales. In addition, for the provision of marketing services by Terex, the Company would pay an annual fee of $250, subject to annual escalation of 3% plus 0.2% of net incremental sales. Unless terminated, the term of the Terex Cross Marketing Agreement is five years, and the parties may agree to renew for additional one-year terms. The Company expensed $0 and $296 for services for the three months and $320 and $888 for the nine months ended September 30, 2018 and 2017, respectively, under the Terex Cross Marketing Agreement.

Effective December 19, 2014, the Company entered into a Services Agreement with Terex (the "Terex Services Agreement") that set forth the terms under which Terex would provide certain services to the Company and the Company will retain access to certain services provided by Terex and the compensation related thereto. The scope of the Terex Services Agreement covers amongst other items, temporary transition services arising from the transfer of majority ownership to Manitex, third party logistics services for parts fulfillment, warranty and field service and information technology ("IT") services for both transitional and ongoing services. Unless terminated, the term of the Terex Services Agreement is specific to each service provided, and the parties may agree to renew for additional one-year terms. The Company expensed $0 and $320 for services provided for the three months and $175 and $1,010 for the nine months ended September 30, 2018 and 2017, respectively.

Effective March 27, 2017, the Company entered into a Winddown and Termination of Distribution and Cross Marketing Agreement and Services Agreement with Terex and Manitex (the "Winddown Agreement"). Pursuant to the Winddown Agreement, Terex will continue to provide certain services to the Company following the completion of the IPO under the Terex Cross Marketing Agreement and the Terex Services Agreement, including parts sales, shipment and purchases and parts planning, customer parts phone support, and administrative services, including IT support and accounting input information for parts cost and pricing. Pursuant to the Winddown Agreement, these services will continue on a transitional basis. Terex no longer markets ASV machines under the Terex Cross Marketing Agreement and the Company is responsible for marketing all ASV machines to all distribution channels, but Terex will continue to market ASV parts under the Terex Cross Marketing Agreement during transition period. Pursuant to the Winddown Agreement, the Company will be permitted to produce and sell Terex-branded ASV products to existing Terex dealers and continue to use applicable Terex trademarks during the transition period and for one year after termination of the Winddown Agreement. The Company has the right to terminate any service related to parts sales and distribution upon six months' notice to Terex, and the Company also has the right to terminate all services upon six months' notice to Terex. After one year from the date of the Winddown Agreement, Terex will also have the right to terminate services upon six months' notice. In no event will the services continue beyond December 19, 2019. The Winddown Agreement does not immediately terminate the Terex Cross Marketing Agreement or the Terex Services Agreement, each of which will remain in effect until terminated in accordance with the Winddown Agreement. By notice dated October 5, 2017, the Company provided notice to Terex and Manitex of the termination, effective as of April 5, 2018, of all services provided by Terex thereunder. Such notice also indicated that, also effective as of April 5, 2018, the Terex Cross Marketing Agreement and Terex Services Agreement shall also be deemed terminated.

Included in the Company's Condensed Statements of Operations are sales to Terex of $39 and $50 for the three months and $98 and $229 for the nine months ended September 30, 2018 and 2017, respectively. Also included are sales to Manitex of $1 and $1 for the three months ended September 30, 2018 and 2017, respectively and sales of $1 and $24 for the nine months ended September 30, 2018 and 2017, respectively. The Company recorded purchases from Terex of $1,453 and $1,127 for the three months and $5,437 and $4,832 for the nine months ended September 30, 2018 and 2017, respectively. The Company also recorded charges for insurance and employee benefit costs from Manitex of $567 for the three months ended September 30, 2017 and $2,153 for the nine months ended September 30, 2017.

Receivables from affiliates include $24 due from Terex and $1 due from Manitex (total $25) at September 30, 2018, and $67 due from Terex and $9 due from Manitex (total $76) at December 31, 2017.

Payables to affiliates includes $737 due to Terex and $0 due to Manitex (total $737) at September 30, 2018, and $1,037 due to Terex and $26 due to Manitex (total $1,063) at December 31, 2017.

Note 6. Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

Effective January 1, 2018, we adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), and ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date, which deferred the effective date of ASU 2014-09 by one year. ASU 2014-09 supersedes the revenue recognition requirements in ASC 605, Revenue Recognition, and is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue, cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. The adoption of ASU 2014-09, using the modified retrospective approach, had no significant impact on our results of operations, cash flows, or financial position. Revenue continues to be recognized at a point in time for our product sales when products are delivered to or picked up by the customer and revenue for shipping and handling charges continues to be recognized when products are delivered to or picked up by the customer. We continue to reduce revenue for estimates of sales incentives based on probability estimates and for product returns based on historical return rates. Additional information and disclosures required by this new standard are contained in Note 2, "Revenue Recognition".

Recent Accounting Pronouncements – Not Yet Adopted

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," ("ASU 2016-01"), subsequently clarified in February 2018 by ASU No. 2018-03, "Technical Corrections and Improvements to ASU 2018-01" ("ASU 2018-03). The amendments in ASU 2016-01, and the clarification in ASU 2018-03, among other things, require equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; require public business entities to use the exit price notion when measuring fair value of financial instruments for disclosure purposes; require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables); and eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate fair value that is required to be disclosed for financial instruments measured at amortized cost. The effective date will be the first quarter of fiscal year 2019, for emerging growth companies. The Company is evaluating the impact that adoption of this new standard will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize on the balance sheet the assets and liabilities associated with the rights and obligations created by those leases. The guidance for lessors is largely unchanged from current U.S. GAAP. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current U.S. GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. The effective date will be the first quarter of fiscal 2020, for emerging growth companies, with early adoption permitted. The Company plans to early adopt and anticipates the adoption of this standard will have a material impact on our financial statements. While we are continuing to assess all the potential impacts of the standard, we currently believe the most significant impact relates to our accounting for our distribution center lease. Under the new guidance, the net present value of the obligation for our lease will appear on the balance sheet. Currently, it is classified as an operating lease and payments are expensed in the period incurred. The adoption of this standard is not expected to have an impact on the Company's cash flow.

In August 2016, the FASB issued ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments (Topic 230): Statement of Cash Flows" ("ASU 2016-15"), which clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows. ASU 2016-15 also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. ASU 2016-15 is effective for fiscal years and interim periods beginning after December 15, 2018, for emerging growth companies. The Company is currently evaluating the impact that this standard will have on its financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which simplifies the measurement of goodwill impairment by eliminating the requirement of performing a hypothetical purchase price allocation. Instead, impairment will be measured using the difference between the carrying amount and fair value of the reporting unit. The amended guidance also eliminates the requirement for any reporting unit with a zero or a negative carrying amount to perform a qualitative assessment and will require disclosure of the amount of goodwill allocated to each reporting unit with a zero or a negative carrying amount of net assets. This standard will be effective beginning in the first quarter of fiscal year 2022, for emerging growth companies. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The standard is to be applied prospectively. The Company is evaluating the impact that adoption of this new standard will have on its financial statements.

In May 2017, the FASB issued ASU No. 2017-09, "Compensation – Stock Compensation: Scope of Modification Accounting." This ASU is intended to provide guidance about which changes to the terms or conditions on a share-based payment award require an entity to apply modification accounting. This new standard is effective for reporting periods beginning after December 15, 2018, and interim periods within that reporting period, for emerging growth companies, with early adoption permitted. The Company does not expect these amendments to have a material effect on its financial statements.

Except as noted above, the guidance issued by the FASB during the current period is not expected to have a material effect on the Company's financial statements.

Note 7. Litigation and Contingencies

The Company is involved in various legal proceedings, including product liability, general liability, workers' compensation liability, and employment litigation, which have arisen in the normal course of operations. The Company is insured for product liability, general liability, workers' compensation, employer's liability, property damage and other insurable risk required by law or contract, with retained liability or deductibles. The Company has recorded and maintains an estimated liability in the amount of management's estimate of the Company's aggregate exposure for such retained liabilities and deductibles. For such retained liabilities and deductibles, the Company determines its exposure based on probable loss estimations, which requires such losses to be both probable and the amount or range of probable loss to be estimable. The Company believes it has made appropriate and adequate reserves and accruals for its current contingencies.

Note 8. Supplemental Cash Flow Information

Interest and income taxes paid during the nine months ended September 30, 2018 and 2017 are as follows:

	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Interest paid in cash	$ 1,252	$ 2,255
Income tax payments in cash	$ 42	$ 545

Note 9. Debt

Loan Facilities

On December 23, 2016, the Company completed a unitranche credit agreement with PNC Bank, National Association ("PNC"), and White Oak Global Advisors, LLC ("White Oak") to provide a $65,000, 5-year credit facility (the "Credit Agreement'). The facility consisted of a $35,000 revolving credit facility (subject to availability based primarily on eligible accounts receivable and eligible inventory), a Term Loan A facility of $8,500 and a Term Loan B facility of $21,500. A total of $46,700 was drawn by the Company at closing of the Credit Agreement.

On December 27, 2017 the Company entered into an amended and restated credit agreement with PNC, and another lender (the "Lenders") to provide a $50,000, 5-year credit facility (the "Amended and Restated Credit Agreement". The facility consists of a $35,000 revolving credit facility (which is subject to availability based primarily on eligible accounts receivable and eligible inventory), and a term loan facility of $15,000. At the closing of the Amended and Restated Credit Agreement, the Company had outstanding borrowings under it of approximately $28,400, consisting of $18,700 in new borrowings and approximately $9,700 which was carried over from the Company's previously outstanding revolving credit facility.

Revolving Loan Facility with PNC

The Company's $35,000 revolving loan facility with PNC includes two sub-facilities: (i) a $2,000 letter of credit sub-facility, and (ii) a $3,500 swing loan sub-facility, each of which is fully reserved against availability under the revolving loan facility. The facility matures on December 27, 2022.

The $35,000 revolving loan facility is a secured financing facility under which borrowing availability is limited to existing collateral as defined in the agreement. The maximum amount available is limited to (i) the sum of (a) up to 85% of Eligible Receivables, plus (b) 90% of Eligible Insured Foreign Receivables, plus (c) the lesser of (I) 95% of Eligible CAT Receivables, or $8,600 plus (ii) the lesser of (A) the sum of (I) up to 65% of the value of the Eligible Inventory (other than Eligible Inventory consisting of finished goods machines and service parts that are current), plus (II) 80% of the value of Eligible inventory consisting of finished goods machines, plus (III) 75% of the value of Eligible Inventory consisting of service parts that are current) or, (B) up to 90% of the appraised net orderly liquidation value of Eligible Inventory. Inventory collateral is capped at $15,000 less outstanding letters of credit and any reasonable reserves as established by the bank. At September 30, 2018, the maximum the Company could borrow based on available collateral was capped at $22,475.

At September 30, 2018, the Company had drawn $15,740 under the $35,000 revolving loan facility. The Company can opt to pay interest on the revolving credit facility at either a domestic rate plus a spread, or a LIBOR rate plus a spread. The domestic rate spread is initially fixed at 1.00% for revolving loan advances until delivery of certain reporting documents with respect to fiscal quarter ending March 31, 2018, at which point it ranges from 1.00% to 1.5% depending on the Average Undrawn Availability (as defined in the Amended and Restated Credit Agreement). The LIBOR spread is initially fixed at 2.00% for revolving loan advances until delivery of the same reporting documents, at which point it ranges from 2.00% to 2.5% depending on the Average Undrawn Availability. Funds borrowed under the LIBOR options can be borrowed for periods of one, two, or three months. The weighted average interest rate for the period ended September 30, 2018 was 4.7%. Additionally, the bank assesses a 0.25% unused line fee that is payable quarterly.

Term Loan A with PNC

On December 23, 2016, the Company entered into an $8,500 term loan ("Term Loan A") facility with PNC as the administrative agent.

The Company repaid this facility on May 18, 2017.

Term Loan B with White Oak

On December 23, 2016, the Company entered into a $21,500 term loan ("Term Loan B") facility with White Oak as the administrative agent.

The Company repaid this facility on December 27, 2017.

Term Loan C with PNC

On December 27, 2017 the Company entered into a $15,000 term loan ("Term Loan C") facility, with PNC as the administrative agent.

At September 30, 2018, the Company had an outstanding balance of $13,500, less $285 debt issuance costs, for net debt of $13,215. The Company can opt to pay interest on the Term Loan C facility at either a domestic rate plus a spread, or a LIBOR rate plus a spread. For term loan advances the domestic rate spread is fixed at 3.75%, and the LIBOR spread is fixed at 4.75%. Funds borrowed under the LIBOR options can be borrowed for periods of one, two, or three months. The weighted average interest rate for the period ending September 30, 2018 was 6.9%.

The Company is obligated to make quarterly principal payments of $500, which commenced on January 1, 2018. If the term loan is prepaid in full or in part prior to the maturity date, the Company will be required to pay a prepayment penalty. If paid prior to

December 27, 2019 the prepayment penalty will be equal to 2.0% of the prepayment. The prepayment penalty percentage reduces to 1% on or after December 27, 2020, and no penalty if on or after the December 27, 2021. There will be no prepayment obligation in the event that the prepayment of the obligation in full is funded in connection with a refinancing for which PNC is the administrative agent. Any unpaid principal is due on maturity, which is December 27, 2022. Interest is payable monthly beginning on January 1, 2018.

Loan Agreements with State Agencies

In October 2017, the Company entered into two loan agreements with the State of Minnesota related to the establishment of a new parts distribution center in Grand Rapids, Minnesota. The first loan agreement is a $300 loan with a ten-year term at an interest rate of 3%, with loan forgiveness if certain criteria is met. The lender will forgive $150 of principal and all accrued interest should the Company attain and maintain agreed upon employment levels on the fifth anniversary date of the loan (and not otherwise be in default) and will forgive the remaining $150 of principal and all accrued interest should the Company attain and maintain employment levels at the tenth anniversary of the loan. Should the Company not attain or maintain the agreed upon levels of employment, $150 in principal plus accrued interest will be due on the fifth anniversary of the closing date with the remaining balance being due and payable on the due date of the loan. The second loan agreement is a $125 no interest loan with a seventy-five-month term that includes partial forgiveness if certain criteria are met. The lender will forgive up to $50 of the $125 loan should ASV attain and maintain job creation goals and wage level commitments. The zero-interest loan is to be paid back through monthly payments over the term of the loan.

Covenants

The Company's indebtedness is collateralized by substantially all of the Company's assets. The facilities contain customary limitations including, but not limited to, limitations on additional indebtedness, acquisitions, and payment of dividends. The Company is also required to comply with certain financial covenants as defined in the Amended and Restated Credit Agreement. The Company is limited to capital expenditures not to exceed $2,000 in any fiscal year. The revolving credit facility and the term loans require the Company to maintain a Minimum Fixed Charge Coverage ratio of not less than 1.20 to 1.0. Additionally, the term loans require, as per the amended credit agreement, as described in Note 12, "Subsequent Events", the Company cannot exceed a Leverage Ratio of 4.00 to 1.00 which shall step down to 2.25 to 1.00 by September 30, 2020. The Company was in compliance with all covenants for the period ended September 30, 2018.

Note 10. Equity

2017 Equity Incentive Plan

On May 11, 2017, the Company adopted the ASV Holdings, Inc. 2017 Equity Incentive Plan (the "2017 Plan"). The maximum number of shares of common stock reserved for issuance under the 2017 Plan is 1,250 shares. The total number of shares reserved for issuance however, can be adjusted to reflect certain corporate transactions or changes in the Company's capital structure. The Company's employees and members of the board of directors who are not the Company's employees or employees of the Company's affliliates are eligible to participate in the 2017 Plan. The 2017 Plan is administered by the compensation committee of the Company's board of directors. The 2017 Plan provides that the committee has the authority to, among other things, select plan participants, determine the type and amount of rewards, determine the award terms, fix all other conditions of any awards, interpret the plan and any plan awards. Under the 2017 Plan, the committee can grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and performance units. The 2017 Plan requires that the exercise price for stock options and stock appreciation rights be not less then fair market value of the Company's common stock on date of grant.

The Company awarded a total of 10 restricted stock units to directors and non-employees under the 2017 Plan on March 15, 2018. The restricted stock units are subject to the same conditions as the restricted stock awards except the restricted stock units will not have voting rights and the common stock will not be issued until the vesting criteria are satisfied.

The following table contains information regarding restricted stock units:

	September 30, 2018
Outstanding on December 31, 2017	163
Units granted during the period	10
Vested and issued	(37)
Forfeited	(33)
Outstanding on September 30, 2018	103

On March 15, 2018, the Company granted an aggregate of 9 restricted stock units to directors pursuant to the 2017 Plan. These restricted stock units were immediately vested.

On March 15, 2018, the Company granted 1 restricted stock unit to a non-employee pursuant to the 2017 Plan. These restricted stock units vest on March 15, 2018, 2019 and 2020, respectively.

The value of the restricted stock is being charged to compensation expense over the vesting period and the Company has elected to account for foreitures as they occur. Compensation expense includes expense related to restricted stock units of $124 and $96 for the three months and $375 and $231 for the nine months ended September 30, 2018 and 2017, respectively. Additional compensation expense related to restricted stock units will be $124, $412, and $283 for the remainder of 2018, 2019, and 2020, respectively.

Note 11. Warranties

The following table provides the changes in the Company's product warranties:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
($ in thousands)	**2018**	**2017**	**2018**	**2017**
Product warranty accrual balance, beginning of period	$ 1,654	$ 1,866	$ 1,869	$ 1,870
Liabilities accrued for warranties during the period	258	282	745	973
Warranty claims paid during the period	(239)	(296)	(879)	(805)
Changes in estimates	(73)	27	(135)	(159)
Product warranty accrual balance, end of period	$ 1,600	$ 1,879	$ 1,600	$ 1,879

Note 12. Subsequent Events

On October 29, 2018, the Company entered into a First Amendment (the "First Amendment") to the Amended and Restated Credit Agreement described in Note 9, "Debt." The principal modifications to the Amended and Restated Credit Agreement resulting from the First Amendment are as follows: (i) a revision to one of the components of the "EBITDA" definition permitting extraordinary gains and losses in an amount not to exceed $1,000 for any trailing twelve month period, (ii) a revision allowing for an increase in ineligible insured foreign receivables for a specific customer, (iii) a revision to the term loan requiring the Company not to exceed a leverage ratio of 4.00 to 1.00, which shall step down to 2.25 to 1.00 by September 30, 2020, as well as certain other immaterial changes consistent with provisions in similar agreements. A further description of the First Amendment is included in Part II, Item 5 of this Quarterly Report on Form 10-Q.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the consolidated financial statements and the notes to those statements included in this Quarterly Report on Form 10-Q. This discussion and analysis may contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth under the caption "Risk Factors," in our 2017 Annual Report on Form 10-K for the fiscal year ended December 31, 2017, in the section entitled "Item 1A. Risk Factors".

Cautionary Statement Regarding Non-GAAP Measures

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" section contains references to "EBITDA". EBITDA is defined for the purposes of this Quarterly Report on Form 10-Q as net income or loss before interest, income taxes, depreciation and amortization. Management believes that EBITDA is a useful supplemental measure of our operating performance and provides meaningful measures of overall corporate performance exclusive of our capital structure and the method and timing of expenditures associated with building and placing our products. EBITDA is also presented because management believes that it is frequently used by investment analysts, investors and other interested parties as a measure of financial performance.

However, EBITDA is not a recognized earnings measure under generally accepted accounting principles of the United States ("U.S. GAAP") and does not have a standardized meaning prescribed by U.S. GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss or other income statement data (which are determined in accordance with U.S. GAAP) as an indicator of our performance or as a measure of liquidity and cash flows. Management's method of calculating EBITDA may differ materially from the method used by other companies and accordingly, may not be comparable to similarly titled measures used by other companies.

Overview

ASV Holdings, Inc. (formerly A.S.V., LLC) ("ASV" the "Company," "we," "our" and/or "us") designs and manufactures a broad range of high quality compact track loader ("CTL") and skid steer loader ("SSL") equipment, marketed through a distribution network in North America, Australia and New Zealand under the ASV brand. We also serve as a private label original equipment manufacturer ("OEM") for several manufacturers. Our products are used principally in the construction, agricultural and forestry industries. As a full-service manufacturer, we provide pre- and post-sale dealer support, after-sale technical support and replacement parts supplied from our dedicated logistics center. We also supply a limited version of our assembled undercarriage sets that exclude the suspension to Caterpillar for three versions of Caterpillar's multi-terrain CTL machines marketed under the CAT brand under a supply contract with Caterpillar.

Business Outlook

A number of economic indicators that we believe are relevant to our industry and products have largely been trending favorably year to date in 2018, although housing starts have slowed sequentially over the last two quarters raising concerns over the effect of higher interest rates and higher prices. A primary driver of demand for our CTL and SSL products is the United States housing market, where the level of new housing starts continues to be below pre-2007 levels. Since 2009, according to the U.S. Census Bureau, new housing starts have incrementally increased to a seasonally adjusted annual rate of 1.2 million units in September 2018 from approximately 0.5 million in October 2009. The preliminary September 2018 rate of 1.2 million was 3.7% above the August 2017 rate.

Construction spending in the United States is also experiencing growth. The U.S. Census Bureau reported on October 1, 2018 that total construction spending during August 2018 was estimated at a seasonally adjusted annual rate of $1.3 trillion, 6.5% above the August 2017 estimate.

The rental sector is another important market for our products and is recording positive growth that is expected to continue. The five-year forecast from the ARA Rental Market Monitor, updated in February 2018, predicted total rental revenue in the U.S. is expected to grow by 4.5% in 2018 to reach $51.5 billion, 5.6% in 2019, 5% in 2020 and 4.4% in 2021. This is a sector of the economy that we are actively targeting with our products.

Outside North America, our largest market is Australia, which is recording good levels of growth. The OECD Economic Outlook in May 2018 estimated GDP growth of 2.9% in 2018, influenced by improved terms of trade, strong global economic growth and additional resource exports that are supporting the economy. Resource sector investment is bottoming out, while other business investment is picking up.

The economies of the markets to which we sell our products have for the past few years operated with interest rates at historically low levels. Interest rate changes affect overall economic growth, which affects demand for residential and nonresidential structures which in turn affects sales of our products that serve these activities. Interest rate changes also affect the ability of dealers to finance machine purchases, can change the optimal time to keep machines in a fleet and can impact the ability of our suppliers to finance the production of parts and components necessary to manufacture and support our products. In the United States, during 2017 and early 2018, the Federal Reserve continued increasing interest rates from their historically low levels. So far in 2018, the Federal Reserve has increased its benchmark rate three times, in March, June and September. The rate is now at a range of 2.0% to 2.25%, with one additional incremental increase anticipated in 2018. Increases in interest rates could negatively impact our sales and create supply chain inefficiencies.

The prices the Company paid for raw materials used in manufacturing products have been impacted by tariffs. See "Commodities Risk" for the impact of tariffs on the Company.

Factors Affecting Revenues and Gross Profit

We derive most of our revenue from purchase orders from dealers and distributors. The demand for our products depends upon the general economic conditions of the markets in which we compete, residential housing starts, general construction activity and upon dealer and end-user replacement or repair cycles. Adverse economic conditions may cause dealers or end-users to forego or postpone new purchases in favor of repairing existing machinery. In addition to the United States, we sell to dealers in Canada, Australia and New Zealand. All of our sales are denominated in U.S. dollars. The strengthening of the U.S. dollar against these other currencies may have a negative impact on sales volume and sales prices to dealers outside of the United States.

Factors that affect gross profit include product mix – variations between sales of larger and smaller machines and between machine sale and sales of parts and OEM undercarriages, production levels and cost of raw materials. Margins tend to increase when sales are skewed towards larger, tracked machines and replacement parts. As a consequence, gross profit margins can vary from period to period. Replacement parts generally command higher margins than product sales.

Results of Operations

Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

For the three months ended September 30, 2018, the Company had net income of $0.6 million compared to a net income of $0.5 million for the three months ended September 30, 2017.

For the three months ended September 30, 2018, net income of $0.6 million consisted of revenue of $32.8 million, cost of sales of $28.6 million, research and development costs of $0.5 million, selling, general and administrative ("SG&A") expenses of $2.7 million, and interest expense of $0.5 million.

For the three months ended September 30, 2017, the net income of $0.5 million consisted of revenue of $30.6 million, cost of sales of $25.8 million, research and development costs of $0.5 million, SG&A expenses of $2.9 million, interest expense of $0.7 million, and an income tax expense of $0.3 million.

Net Sales: For the three months ended September 30, 2018, net sales were $32.8 million, an increase of approximately $2.2 million or 7.2% from net sales of $30.6 million for the same period in 2017. The increase in net sales is attributable to an increase in sales of machines of $3.2 million, offset by a decrease in sales of undercarriages to Caterpillar of $0.4 million and a decrease in aftermarket parts and other sales of $0.6 million.

Increased machine volume and an improved machine mix of larger higher revenue models in the three months ended September 30, 2018, resulted in an increase in machine revenues of 16.4% or $3.2 million from the same period in 2017. The increase in volume was primarily due to increased sales into our North American distribution channels, offset in part by fewer units shipped into Australia and New Zealand. Growth in revenues from sales of machines through our North American distribution channels was an increase of 40% compared to the three months ended September 30, 2017. As of September 30, 2018, we had 163 North American dealer and rental accounts with 270 locations as compared to 124 North American dealer and rental accounts with 189 locations as of September 30, 2017. For orders placed after May 1, 2018, steel surcharge pricing was implemented, which accounted for $0.4 million of machine revenue in the period.

Parts and other sales for the three months ended September 30, 2018 decreased $1.0 million compared to the same period in 2017. This comprised a decrease of Caterpillar undercarriage and parts shipments of $0.7 million for the period and a decrease in aftermarket parts and other sales of $0.3 million for the period. Parts sales as a percentage of total sales was 24.3% and 28.1%, for the three months ended September 30, 2018 and 2017, respectively.

Gross Profit: For the three months ended September 30, 2018, our gross profit was $4.2 million or 12.8% of net sales compared to $4.8 million or 15.7% of net sales for the same period in 2017. Gross profit was down $0.6 million. Gross profit as a percent of net sales decreased primarily as a result of (i) increased input costs primarily associated with steel and tariffs, and (ii) in-house distribution center costs previously paid to Terex under the Terex Cross Marketing Agreement, as referenced in Note 5, "Related Party Transactions".

Research and Development: Research and development expense was $0.5 million or 1.5% of net sales for the three months ended September 30, 2018, compared to $0.5 million or 1.6% of net sales for the same period in 2017.

Selling, general and administrative expense: SG&A expense for the three months ended September 30, 2018 was $2.7 million or 8.2% of net sales, compared to $2.9 million, or 9.5% of net sales, for the comparable period in 2017, a decrease of approximately $0.2 million or 6.9%, respectively. The main contributing factors to the decrease were a $0.3 million decrease in selling expense associated with aftermarket parts, offset by increases to $0.1 million in selling expenses advertising and marketing costs.

Operating Income: For the three months ended September 30, 2018, our operating income was $1.1 million or 3.4% of net sales, compared to $1.5 million or 4.9% of net sales for the same period in 2017. Operating income decreased due to the explanations above.

Interest expense: Interest expense, including amortization of debt issuance costs, for the three months ended September 30, 2018, was $0.5 million compared to $0.7 million for the same period in 2017, principally due to lower borrowings on our debt facilities and improved rates as a result of refinancing our debt in December of 2017.

Tax: For the three months ended September 30, 2018, the Company recorded an income tax benefit of $0.04 million. For the three months ended September 30, 2017, a tax expense of $0.3 million was recorded.

Net income: For the three months ended September 30, 2018, our net income was $0.5 million compared to a net income of $0.5 million for the same period in 2017.

EBITDA: EBITDA totaled $2.3 million or 7.0% of net sales for the three months ended September 30, 2018 compared to $2.7 million or 8.7% of net sales for the same period in 2017. The decrease in EBITDA for the three months ended September 30, 2018 compared to the three months ended September 30, 2017 resulted from reduced interest charges of $0.2 million, and a reduced tax expense of $0.2 million.

EBITDA totaled $5.6 million or 6.0% of net sales for the nine months ended September 30, 2018 compared to $8.2 million or 8.9% of net sales for the same period in 2017. The decrease in EBITDA for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 resulted from decreased net income of $2.0 million, which included the effects of reduced interest charges of $1.0 million, and a reduced tax benefit of $0.5 million.

The table below sets forth a reconciliation of net income to EBITDA (in thousands of dollars) :

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Net income	$ 599	$ 522	$ 611	$ 2,505
Interest expense	491	698	1,413	2,463
Depreciation & amortization	1,225	1,192	3,627	3,626
Other (income) expense	(2)	—	(8)	—
Income tax (benefit) expense	(35)	257	(28)	(372)
EBITDA (1)	$ 2,278	$ 2,669	$ 5,615	$ 8,222
% of Sales	6.9%	8.7%	5.9%	8.9%

(1) EBITDA is defined as income or loss before interest, income taxes, depreciation and amortization. EBITDA is not a recognized measure under U.S. GAAP and does not have a standardized meaning prescribed by U.S. GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other companies. The table above reconciles net income to EBITDA. See "—Cautionary Statements Regarding Non-GAAP Measures" for further information regarding EBITDA.

Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

For the nine months ended September 30, 2018, the Company had a net income of $0.6 million compared to a net income of $2.5 million for the same period ended September 30, 2017.

For the nine months ended September 30, 2018, net income of $0.6 million consisted of revenue of $94.5 million, cost of sales of $82.1 million, research and development costs of $1.4 million, SG&A expenses of $9.0 million, and interest expense of $1.4 million.

For the nine months ended September 30, 2017, the net income of $2.5 million consisted of revenue of $92.9 million, cost of sales of $78.4 million, research and development costs of $1.6 million, SG&A expenses of $8.3 million, interest expense of $2.5 million, and an income tax benefit of $0.4 million.

Net Sales: For the nine months ended September 30, 2018, net sales were $94.5 million, an increase of approximately $1.6 million or 1.7% from net sales of $92.9 million for the same period in 2017. The increase in net sales is a result of increased machine sales of $6.8 million, offset by decreased sales of undercarriages to Caterpillar of $2.6 million and decreased sales of aftermarket parts and other of $2.6 million.

Increased machine volume and an improved machine mix of larger higher revenue machines in the nine months ended September 30, 2018, resulted in an increase in machine revenues of 11.3% or $6.8 million from the same period in 2017. The increase in volume was primarily due to increased sales into our North American distribution channels, offset in part by fewer units shipped into Australia and New Zealand for the period. Growth in revenues from sales of machines through the ASV North American distribution channels was 24.8% compared to the nine months ended September 30, 2017. For orders placed after May 1, 2018, steel surcharge pricing was implemented, which accounted for $0.5 million of machine revenue in the period.

Parts and other sales for the nine months ended September 30, 2018 decreased $5.2 million compared to the same period in 2017. This comprised a decrease in Caterpillar undercarriage and parts shipments of $3.4 million for the period, a result of lower demand, and a decrease in aftermarket parts and other sales of $1.8 million. Parts sales as a percentage of total sales was 22.7% and 25.6%, for the nine months ended September 30, 2018 and 2017, respectively.

Gross Profit: For the nine months ended September 30, 2018, our gross profit was $12.4 million or 13.1% of net sales compared to $14.5 million or 15.6% of net sales for the same period in 2017. Gross profit as a percent of net sales decreased primarily as a result of (i) a decrease in aftermarket parts as a percentage of total sales, (ii) start-up costs of $0.6 million associated with moving our parts distribution to Grand Rapids, (iii) increased input costs primarily associated with steel and tariffs, and (iv) in-house distribution center costs previously paid to Terex under the Terex Cross Marketing Agreement, as referenced in Note 5, "Related Party Transactions".

Research and Development: Research and development expense was $1.4 million or 1.5% of net sales for the nine months ended September 30, 2018, compared to $1.6 million or 1.7% of net sales for the same period in 2017. The decrease of $0.2 million is attributable to fewer expenditures related to the launch of new product designs for the ASV brand in connection with the implementation of Tier 4 emissions standards during the period.

Selling, general and administrative expense: SG&A expense for the nine months ended September 30, 2018 was $9.0 million or 9.5% of net sales, compared to $8.3 million, or 8.9% of net sales, for the comparable period in 2017, an increase of approximately $0.7 million or 8.4%, respectively. The main contributing factors to the increase were (i) a $0.1 million increase from costs associated with stock compensation, (ii) a $0.4 million increase resulting from costs associated with operating as a public company, (iii) a $0.1 million increase in general administrative costs relating to adding key management positions, (iv) a $0.4 million increase in advertising and marketing costs, offset by (v) a $0.6 million decrease in selling expense associated with aftermarket parts.

Operating Income: For the nine months ended September 30, 2018, our operating income was $2.0 million or 2.1% of net sales, compared to $4.6 million or 5.0% of net sales for the same period in 2017. Operating income as a percent of net sales decreased due to the explanations above.

Interest expense: Interest expense, including amortization of debt issuance costs, for the nine months ended September 30, 2018, was $1.4 million compared to $2.5 million for the same period in 2017, principally due to lower borrowings on our debt facilities, pay down of debt from IPO proceeds in 2017, and improved rates as a result of refinancing our debt in December of 2017.

Tax: For the nine months ended September 30, 2018 income tax benefit of $0.03 million was recorded compared to income tax benefit of $0.4 million for the nine months ended September 30, 2017. The tax benefit consisted of federal and state taxes on pre-tax income offset by a discrete income tax benefit related to the finalization of the Company's 2017 tax returns.

Net income: For the nine months ended September 30, 2018, our net income was $0.6 million compared to a net income of $2.5 million for the same period in 2017, a decrease of $1.9 million and is attributable to the items discussed above.

Liquidity and Capital Resources

We fund our business activities by utilizing a revolving credit facility, a term loan for financing, and cash generated from operations. In connection with our revolving credit facility, the Company recently entered into an amendment which included revisions to the definition of EBITDA, an increase in the allowance of certain foreign receivables and a change to the required leverage ratio. For more information, see Note 9, “Debt” and Note 12, “Subsequent Events” to the unaudited condensed financial statements included elsewhere in the Quarterly Report on Form 10-Q and “Item 3. Quantitative and Qualitative Disclosure About Market Risk” and “Item 5. Other Information” of Part II below.

We use our capital resources to:

- fund operating costs;
- fund capital requirements, including capital expenditures;
- make debt and interest payments; and
- invest in new ventures.

We need cash to meet our working capital needs as the business grows, to acquire capital equipment, and to fund acquisitions and debt repayment. We intend to use cash flows from operations and existing availability under the current revolving credit facilities to fund anticipated levels of operations for the next twelve months. As our availability under our credit lines is limited, it is important that we manage our working capital. We may need to raise additional capital through debt or equity financings to support our growth strategy, which may include additional acquisitions. There is no assurance that such financing will be available or, if available, on acceptable terms.

Cash Flows

Nine Months Ended September 30, 2018

Operating activities consumed $1.3 million of cash for the nine months ended September 30, 2018, comprised of net income of $0.6 million, non-cash items that totaled $4.0 million and changes in assets and liabilities, which consumed $5.9 million. The principal non-cash items are depreciation and amortization of $3.6 million and share-based compensation of $0.4 million.

The changes in assets and liabilities consumed $5.9 million. The changes in assets and liabilities had the following impact on cash flows: Accounts receivable generated $0.6 million, trade receivables/payables from affiliates consumed $0.3 million, inventory consumed $6.9 million, prepaid expenses generated $0.1 million, trade accounts payable generated $1.7 million, and accrued expenses consumed $1.1 million. The decrease in accounts receivable is principally due to customer mix on increased sales. Days sales outstanding at September 30, 2018 were 54 days, compared to 58 days at December 31, 2017. Inventory has increased as input costs rise, we continue to secure long lead time production components for future builds, and we maintain a larger finished goods machine inventory to satisfy demand. The fluctuation in the remaining assets and liabilities are within a range that would normally be expected to occur.

Investing activities for the nine months ended September 30, 2018 consumed $0.8 million of cash. We consumed $0.8 million of cash to purchase machinery and equipment, tooling for Tier IV product launches, information technology systems up-grades and building improvements.

Financing activities generated $2.1 million in cash for the nine months ended September 30, 2018. Cash was generated by increased borrowing under the revolving credit facilities of $3.2 million, increased borrowing on new long-term loans of $0.4 million associated with relocating our parts distribution facility to Minnesota, offset by the use of $1.5 million of cash for principal payments on debt.

Nine Months Ended September 30, 2017

Operating activities generated $8.8 million of cash for the nine months ended September 30, 2017 comprised of a net income of $2.5 million, non-cash items that totaled $3.2 million and changes in assets and liabilities, which generated $3.0 million. The principal non-cash items are depreciation and amortization of $3.6 million, share-based compensation of $0.2 million, deferred income tax benefit of $(0.9) million, amortization of deferred finance cost of $0.2 million, and loss on debt extinguishment of $0.1 million.

The changes in assets and liabilities generated $3.0 million. The changes in assets and liabilities had the following impact on cash flows: Accounts receivable consumed $4.2 million, trade receivables/payables from affiliates generated $0.5 million, inventory generated $6.0 million, prepaid expenses consumed $0.3 million, trade accounts payable generated $0.9 million, accrued expenses consumed $1.4 million, income tax payable generated $0.3 million and other long-term liabilities generated $0.3 million. The increase in accounts receivable is principally due to increased sales. Days sales outstanding at June 30, 2017 were 44 days, compared to 63 days at December 31, 2016. The decrease in inventory relates primarily to the consumption of material on hand at the end of the period of December 31, 2016 that was used for product manufactured for international shipments in the first quarter of 2017, along with enhancements to our material planning to more closely align with our production plan. This has resulted in reduced component inventory which in turn has significantly improved our days in inventory metric. The $1.4 million reduction in accrued expenses related principally to $1.2 million for product liability and $0.1 million for reduced legal accrual and $0.1 million of accrued interest. The fluctuation in the remaining assets and liabilities are within a range that would normally be expected to occur.

Investing activities for the nine months ended September 30, 2017 generated $0.1 million of cash. We consumed $0.5 million of cash to purchase machinery and equipment, principally related to tooling for Tier IV and information technology system upgrades. We generated $0.5 million of cash collateral held in escrow under our credit facility.

Financing activities consumed $9.4 million in cash for the nine months ended September 30, 2017. We used $1.8 million of cash for principal payments on debt and repaid $7.5 million on our existing revolving credit facility.

Critical Accounting Policies and Estimates

Our financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which require us to make estimates, judgments and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and related disclosures and contingencies. We evaluate estimates used in preparation of our financial statements on a continual basis. The Company adopted ASC 606 during the period; however, it had no significant impact on estimates. There have been no other significant changes to our critical accounting policies that are described in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Summary of Significant Accounting Policies" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Off-Balance Sheet Arrangements

At September 30, 2018 we had $0.2 million of standby letters of credit outstanding. PNC Bank has issued a $0.2 million standby letter of credit in favor of an insurance carrier to secure obligations which may arise in connection with future deductible payments that may be incurred under our workers' compensation insurance policies.

Inflation

Inflation affects us in two principal ways. First, our revolving credit facility is generally tied to the price and LIBOR interest rates so that increases in those interest rates would be translated into additional interest expense. Second, general inflation impacts prices paid for labor, parts and supplies. Whenever possible, we attempt to cover increased costs of production and capital by adjusting the price of our products. However, we generally do not have inflation-based price adjustment provisions in our contracts. The markets we serve are competitive in nature, and competition may limit our ability to pass through cost increases. Overall, we strive to manage the effect of inflation through sales price adjustments, cost reductions and improved productivity.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to certain market risks that exist as part of our ongoing business operations.

Interest Rate Risk

We are exposed to interest rate volatility with regard to future issuances of fixed rate debt and existing issuances of variable rate debt. Primary exposure includes movements in the PNC prime rate and LIBOR. At September 30, 2018, we had approximately $29.2 million of variable rate debt with a weighted average interest rate of approximately 5.7%. An increase of 1% in our average floating interest rates at September 30, 2018 would increase interest expense by approximately $0.3 million.

Commodities Risk

We purchase a majority of our components as partially and fully finished assemblies, rather than raw materials for conversion. However, steel is a major part of the chassis, cabs and wheel rims of our product and as such availability and pricing from our suppliers is subject to the global steel market. Extreme movements in the cost and availability of steel and other materials and components may affect our financial performance. The prices we pay for raw materials used in our products may be impacted by tariffs. On March 8, 2018, the Trump Administration signed an order that imposed a tariff of 25% on steel that went into effect on March 23, 2018. As a result of this tariff, if we are unable to obtain raw materials, including steel, at historical prices or unable to pass any material price increases on to dealers, our margins could be adversely affected and it could have a material adverse effect on our business. Changes in input costs did not have a significant effect on our operating performance in 2017 or the first three months of 2018. However, beginning in second quarter of 2018, input prices, and steel components in particular, have increased significantly, driven by the above-mentioned tariffs and higher levels of market demand driving increased prices. We have implemented re-engineering and re-sourcing actions to help avoid these increases and have also implemented surcharge price increases to recover steel increases, although they may not be complete or successful. The net increase in our material costs adversely impacted our gross profit percentage by approximately 2.7% in the third quarter of 2018.

In the absence of labor strikes or other unusual circumstances, the materials and components used in our products are normally available from multiple suppliers. However, some of the components may not be easily interchanged with components from alternative suppliers and have been designed into our products. We evaluate current and potential suppliers on a regular basis on their ability to meet our requirements and standards. We actively manage our material supply sourcing and may employ various methods to limit risk associated with commodity cost fluctuations and availability. The inability of suppliers to deliver materials and components promptly could result in production delays and increased costs to manufacture our products. To mitigate the impact of these risks we continue to search for acceptable alternative supply sources and less expensive supply options on a regular basis. With the high level of market demand for components, there has been an increase in shortages for several critical components, and in particular engines. This will result in longer lead times for these components which will in turn impact the lead times of our machines for our customers. We have initiated a number of actions to alleviate these issues, including identifying additional suppliers for these types of components. The implementation of these changes, however, does take time to validate and implement and cannot be guaranteed to fully alleviate the supply constraints or ultimately be as attractive to our customers. During 2017 and during the nine months ended September 30, 2018, raw materials and components were generally available to meet our production schedules and had no significant impact on our revenues.

Item 4. Controls and Procedures.

Management's Evaluation of our Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is (1) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

As of September 30, 2018, our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our principal executive officer and principal financial officer have concluded based upon the evaluation described above that, as of September 30, 2018, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

Beginning January 1, 2018, we implemented ASU 2014-09 Revenue from Contracts with Customers (Topic 606) and ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date. Although the adoption of the new revenue standard had no significant impact on our results of operations, cash flows, or financial position, we did implement changes to our controls related to revenue as of January 1, 2018. These included the development of new policies based on the five-step model provided in the new revenue standard, enhanced contract review requirements, and other ongoing monitoring activities. These controls were designed to provide assurance at a reasonable level of the fair presentation of our condensed consolidated financial statements and related disclosures. There was no change in our internal control over financial reporting during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are involved in various legal proceedings, including the proceeding before the National Labor Relations Board described in "Risk Factors–Risks Related to Our Business" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and as further described below.

The International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers brought a proceeding against us before the National Labor Relations Board (the "NLR Board") in May 2014 regarding alleged unfair labor practices at our Grand

Rapids, Minnesota facility. The union alleged, among other things, that we unlawfully violated the prohibition against interference, restraint and coercion of employees under Section 8(a)(1) of the National Labor Relations Act ("NLRA") with respect to the employees' right to engage in concerted activities and collective bargaining under the NLRA and that we unlawfully violated the prohibition in Section 8(a)(3) of the NLRA against retaliatory termination related to union activities.

In June 2015, a federal administrative judge found that we violated Section 8(a)(1) in connection with speeches and statements made by management in connection with a union election and Section 8(a)(3) in connection with terminations that followed the same election. The administrative judge entered an order in favor of the union that required, among other things, that we offer reinstatement to 13 terminated employees and make such employees whole for loss of earnings and benefits (including a gross up for adverse tax consequences for lump-sum back pay). Under this order, we were also required to bargain with the union as a representative of the assembly employees at our Grand Rapids, Minnesota facility and post informational notices at our facility. We appealed the June 2015 decision.

On August 21, 2018, the NLR Board affirmed the administrative law judge's rulings, findings and conclusions, although it amended the judge's tax compensation and Social Security reporting remedy and adopted a modified order which, among other things, retains the requirements set forth above with regard to the reinstatement of employment and back pay, as well as the requirement to bargain with the union as a representative of the assembly employees. On September 13, 2018, we filed a request for reconsideration of the NLR Board's decision regarding the recognition of the assembly union, as the legal standard on which the NLR Board relied was overruled and was not considered in the decision.

Item 1A. Risk Factors.

As of the date of this filing, there have been no material changes from the risk factors disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

On October 29, 2018, the Company entered into a First Amendment (the "First Amendment") to the Amended and Restated Credit Agreement described in Note 9, "Debt" to the unaudited condensed financial statements included elsewhere on this Quarterly Report on Form 10-Q and filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 28, 2017. The principal modifications to the Amended and Restated Credit Agreement resulting from the First Amendment are as follows: (i) a revision to one of the components of the "EBITDA" definition permitting extraordinary gains and losses in an amount not to exceed $1 million for any trailing twelve month period, (ii) a revision allowing for an increase in ineligible insured foreign receivables for a specific customer, (iii) a revision to the term loan requiring the Company not to exceed a leverage ratio of 4.00 to 1.00, which shall step down to 2.25 to 1.00 by September 30, 2020, as well as certain other immaterial changes consistent with provisions in similar agreements. This summary of the material terms of the First Amendment is qualified in its entirety by reference to the full text of the First Amendment, a copy of which is filed as Exhibit 10.1 hereto and incorporated herein by reference.

Item 6. Exhibits.

See the Exhibit Index set forth below for a list of exhibits included with this Quarterly Report on Form 10-Q.

Exhibit Number	Description
2.1	Plan of Conversion of A.S.V. LLC, dated as of April 25, 2017 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on May 18, 2017).

3.1	Certificate of Incorporation of ASV Holdings, Inc., dated as of May 11, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 18, 2017).
3.2	Bylaws of ASV Holdings, Inc., dated as of May 11, 2017 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on May 18, 2017).
10.1*	First Amendment to Amended and Restated Revolving Credit, Term Loan and Security Agreement, dated as of October 29, 2018 by and among ASV Holdings, Inc., the Loan Parties thereto, the Lenders and PNC Bank, National Association, as agent for the Lenders.
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ASV Holdings, Inc.

Date: November 1, 2018

By: /s/ Andrew M. Rooke

Andrew M. Rooke
Chief Executive Officer
(Principal Executive Officer)

Date: November 1, 2018

By: /s/ Melissa K. How

Melissa K. How
CFO and Secretary
(Principal Financial and Accounting Officer)

FIRST AMENDMENT TO AMENDED AND RESTATED REVOLVING CREDIT, TERM LOAN AND SECURITY AGREEMENT

This FIRST AMENDMENT TO AMENDED AND RESTATED REVOLVING CREDIT, TERM LOAN AND SECURITY AGREEMENT (this "**First Amendment**") is entered into as of October 29, 2018, by and among ASV HOLDINGS, INC., a Delaware corporation ("**ASV**", together with each Person joined to the Credit Agreement (as defined below) as a borrower from time to time, collectively, the "**Borrowers**" and each a "**Borrower**"; the Borrowers together with the Guarantors, collectively the "**Loan Parties**" and each a "**Loan Party**"), the financial institutions which are now or which hereafter become a party to the Credit Agreement as lenders (collectively, the "**Lenders**" and each individually a "**Lender**") and PNC BANK, NATIONAL ASSOCIATION (" **PNC**"), as agent for Lenders (PNC, in such capacity, the "**Administrative Agent**") with respect to the following:

PRELIMINARY STATEMENTS

A. Borrowers, Lenders and Administrative Agent, previously entered into that certain Amended and Restated Revolving Credit, Term Loan and Security Agreement dated as of December 27, 2017 (as has been and may hereafter be amended, restated or otherwise modified from time to time, the "**Credit Agreement**");

B. Borrowers have requested that Administrative Agent and Lenders agree to amend certain provisions in the Credit Agreement and Administrative Agent and Lenders have agreed to such amendment, subject to the terms and conditions contained herein; and

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. Definitions. Capitalized terms used in this First Amendment are as defined in the Credit Agreement, as amended hereby, unless otherwise stated.

2. Amendments to Credit Agreement. Subject to and in accordance with the terms and conditions set forth herein, the parties hereto agree that as of the First Amendment Date:

A. **Definitions.** The following definitions contained in Section 1.2 of the Credit Agreement are hereby amended and restated as follows:

> "Excess Cash Flow" shall mean, for any fiscal period, in each case for Borrowers on a Consolidated Basis, EBITDA, minus each of the following, to the extent actually paid in cash during such fiscal period, (i) Unfunded Capital Expenditures, (ii) taxes (net of refunds actually received in cash), (iii) dividends and distributions (to the extent expressly permitted under Section 7.7 of this Agreement), (iv) Debt Payments, and (v) amounts added back to EBITDA for the relevant period pursuant to clauses (f) through (i) of the definition thereof solely to the extent paid in cash during each such period.

"Fee Letter" shall mean collectively, (a) the amended and restated fee letter dated the Closing Date among Borrowers and Administrative Agent, and (b) the First Amendment fee Letter dated as of the First Amendment Date among Borrowers and Administrative Agent.

B. **Definitions.** Clause (a)(i) of the definition of EBITDA contained in Section 1.2 of the Credit Agreement is hereby amended and restated as follows:

(i) extraordinary gains and losses in an amount not to exceed $1,000,000 for any trailing twelve (12) month period

C. **New Definitions.** The following definition is hereby added to Section 1.2 of the Credit Agreement in the appropriate alphabetical sequence:

"First Amendment Date" shall mean October 29, 2018.

D. **Sublimits**. Section 2.1(b)(i) of the Credit Agreement is hereby amended and restated as follows:

(i) Eligible Insured Foreign Receivables owing from C.E.G. Distributions Pty Limited shall not exceed $7,000,000 in the aggregate, at any time outstanding,

D. **Leverage Ratio.** Section 6.5(b) of the Credit Agreement is hereby amended and restated as follows:

(b) Leverage Ratio. Maintain as of the end of each fiscal quarter, a ratio (the "Leverage Ratio") of Funded Debt, calculated as of such date, to EBITDA, measured for the period of four fiscal quarters then ended, of not greater than the ratios set forth below for the applicable fiscal quarter then ending:

Fiscal Quarter Ending	**Maximum Leverage Ratio**
September 30, 2018	4.00
December 31, 2018	4.00
March 31, 2019	3.75
June 30, 2019	3.50
September 30, 2019	3.00
December 31, 2019	2.75
March 31, 2020	2.75
June 30, 2020	2.50

September 30, 2020 and each fiscal quarter thereafter	2.25

3. Conditions to Effectiveness. The effectiveness of this First Amendment is subject to the satisfaction of the following conditions precedent, unless specifically waived in writing by Agents:

(a) Administrative Agent shall have received this First Amendment duly executed by Borrowers, the other Loan Parties, Lenders and Administrative Agent; and

(b) no Default or Event of Default shall have occurred and be continuing; and

(c) Borrower shall pay all fees and expenses set forth in that certain first amendment fee letter executed on the date hereof.

4. Post Closing Covenants.

(a) Within thirty (30) days of the date hereof (or such later date agreed to be Administrative Agent in its Permitted Discretion), Borrowers shall deliver to Administrative Agent, a Lien Waiver Agreement with respect to 1104 SE 8th Street, Grand Rapids, MN.

(b) Within thirty (60) days of the date hereof (or such later date agreed to by Administrative Agent in its Permitted Discretion), Borrowers shall deliver to Administrative Agent, a security agreement with respect to Borrowers' equipment located at 5195 Richard Street, Drummondville, Quebec, Canada, which security agreement shall be valid and enforceable under Quebec law.

5. Ratifications. Except as expressly modified and superseded by this First Amendment, the terms and provisions of the Credit Agreement and the Other Documents are ratified and confirmed and shall continue in full force and effect. Loan Parties hereby agree that all liens and security interests securing payment of the Obligations under the Credit Agreement (as amended hereby) are hereby collectively renewed, ratified and brought forward as security for the payment and performance of the Obligations. Borrowers, the other Loan Parties, Lenders and Administrative Agent agree that the Credit Agreement and the Other Documents, as amended hereby, shall continue to be legal, valid, binding and enforceable in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by general principles of equity.

6. Representations and Warranties with respect to Other Documents. Each of the Loan Parties hereby represents and warrants to Administrative Agent and Lenders as follows: (a) it is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization; (b) the execution, delivery and performance by it of this First Amendment and all Other Documents executed and/or delivered in connection herewith are within its company powers, have been duly authorized, and do not contravene (i) its Organizational Documents, or (ii) any applicable law; (c) no Consent of any Governmental Body or other Person is required in connection with the execution, delivery, performance, validity or enforceability of this First Amendment, except as has been obtained; (d) this First Amendment and all Other Documents executed and/or delivered in connection herewith have been duly executed and delivered by it; (e) this First Amendment and all Other Documents executed and/or delivered in connection herewith constitute its legal, valid and binding obligation of such Person enforceable against it in accordance with their terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by general principles of equity; (f) no Default or Event of Default has occurred and is continuing or would immediately thereafter result by the execution, delivery or performance of this First Amendment; (g) the representations and warranties contained in the Credit Agreement and the Other Documents are true and correct in all material respects (except to the extent already qualified by materiality in which case such representation and warranties shall be true and correct in all respects) on and as of the date hereof and on and as of the date of execution hereof as though made on and as of each such date (except to the extent any such representation or warranty expressly relates only to any earlier and/or specified date); and (h) ASV has not amended its Organizational Documents in a manner that would constitute a Default or Event of Default.

7. Survival of Representations and Warranties. All representations and warranties made in the Credit Agreement or the Other Documents, including, without limitation, any document furnished in connection with this First Amendment, shall survive the execution and delivery of this First Amendment and the Other Documents.

8. Reference to Credit Agreement. Each of the Credit Agreement and the Other Documents, and any and all other agreements, documents or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Credit Agreement, as amended hereby, are hereby amended so that any reference in the Credit Agreement and such Other Documents to the Credit Agreement shall mean a reference to the Credit Agreement as amended hereby.

9. Expenses of Administrative Agent and Lenders. Borrowers agree to pay on demand all reasonable out-of-pocket costs and expenses actually incurred by Administrative Agent and Lenders in connection with the preparation, negotiation, execution and closing of the First Amendment, any and all amendments, modifications and supplements thereto and any Other Documents in connection therewith, including, without limitation, the costs and fees of Administrative Agent's and Lenders' legal counsel and financial advisors.

10. Severability. If any part of this First Amendment is contrary to, prohibited by, or deemed invalid under Applicable Laws, such provision shall be inapplicable and deemed omitted to the extent so contrary, prohibited or invalid, but the remainder hereof shall not be invalidated thereby and shall be given effect so far as possible.

11. Successors and Assigns. This First Amendment is binding upon and shall inure to the benefit of Administrative Agent, Lenders and Loan Parties and their respective successors and assigns, except that no Loan Party may assign or transfer any of its rights or obligations hereunder without the prior written consent of Administrative Agent.

12. Counterparts. This First Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument. Any signature delivered by a party by facsimile or electronic transmission (including email transmission of a PDF image) shall be deemed to be an original signature hereto.

13. Effect of Waiver. No consent or waiver, express or implied, by Lenders or Administrative Agent to or for any breach of or deviation from any covenant or condition by Borrowers or any other Loan Party shall be deemed a consent to or waiver of any other breach of the same or any other covenant, condition or duty.

14. Headings. The headings, captions, and arrangements used in this First Amendment are for convenience only, are not a part of this First Amendment, and shall not affect the interpretation hereof.

15. Governing Law; Judicial Reference. Sections 12.1 through 12.3 and Section 16.1 of the Credit Agreement are incorporated herein by reference and are fully applicable to this First Amendment.

16. Final Agreement. **THE CREDIT AGREEMENT AND THE OTHER DOCUMENTS, EACH AS AMENDED HEREBY, REPRESENT THE ENTIRE EXPRESSION OF THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF ON THE DATE THIS FIRST AMENDMENT IS EXECUTED. THE CREDIT AGREEMENT AND THE OTHER DOCUMENTS, AS AMENDED HEREBY, MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. NO MODIFICATION, RESCISSION, WAIVER, RELEASE OR AMENDMENT OF ANY PROVISION OF THIS FIRST AMENDMENT SHALL BE MADE, EXCEPT IN ACCORDANCE WITH SECTION 16.2 OF THE CREDIT AGREEMENT.**

17. Acknowledgements and Agreements. Each of the Loan Parties hereby acknowledge and agree that: (a) none has any defenses, claims or set-offs to the enforcement by Administrative Agent or any Lender of the Obligations on the date hereof and on the date of execution hereof; (b) to their knowledge, Administrative Agent and Lenders have fully performed all undertakings and obligations owed to them as of the date hereof and on the date of execution hereof; and (c) except to the limited extent expressly set forth in this First Amendment, Administrative Agent and Lenders do not waive, diminish or limit any term or condition contained in the Credit Agreement or any of the Other Documents.

[remainder of page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, the parties have executed and delivered this First Amendment as of the day and year first written above.

ASV HOLDINGS, INC.

By: /s/ Melissa How
Name: Melissa How
Title: Chief Financial Officer

PNC BANK, NATIONAL ASSOCIATION, as Administrative Agent, a Revolving Lender and a Term Loan Lender

By: /s/ Timothy Canon _______________
Name: Timothy Canon
Title: Vice President

STEEL CITY CAPITAL FUNDING, a division of PNC Bank, National Association, as a Term Loan Lender

By: /s/ Jesse Xu _____________________
Name: Jesse Xu
Title: Vice President

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew M. Rooke, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ASV Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2018

By: /s/ Andrew M. Rooke
Andrew M. Rooke
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Melissa K. How, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ASV Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2018

By: /s/ Melissa K. How
Melissa K. How
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ASV Holdings, Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2018

By: /s/ Andrew M. Rooke
Andrew M. Rooke
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ASV Holdings, Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2018

By: /s/ Melissa K. How
Melissa K. How
Chief Financial Officer